Earnie IQ

Car and Fuel Benefit in Payroll

April 2017

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Car and Fuel Benefit in Payroll

From the 2016/2017 tax year, employers were able to account for the tax on the benefits in kind (BiKs) they provide to employees via PAYE instead of sending a P11D after the end of the tax year. The value of the benefit is added to the employee's taxable pay for each pay period and reported via FPS.

You can payroll all BiKs apart from:

- vouchers and credit tokens
- employer provided living accommodation
- interest free and low interest (beneficial) loans

You must still report these excluded BiKs on a P11D, even if you are payrolling other BiKs for the same employee(s).

From April 2017 you can choose to payroll company car BiKs in the software instead of submitting the P11D and P46(Car) forms. The benefits are calculated in the same way as previously, but the cash equivalent is divided into an equal amount for each pay period, with any residual amount going through the final pay period for the year.

In your payroll software you are able to add cars, allocate them to employees, calculate the cash equivalents of the car and fuel benefit for the year and process a prorated amount through payroll.

To use the new car benefit fields, the company must be registered with HMRC to payroll benefits. You can do this using your HMRC on line account.

There are three stages to managing company cars in the payroll software:

1. Adding the cars
2. Allocating the cars to employees and calculating the cash equivalents
3. Processing the car benefit through payroll and reporting to HMRC via FPS

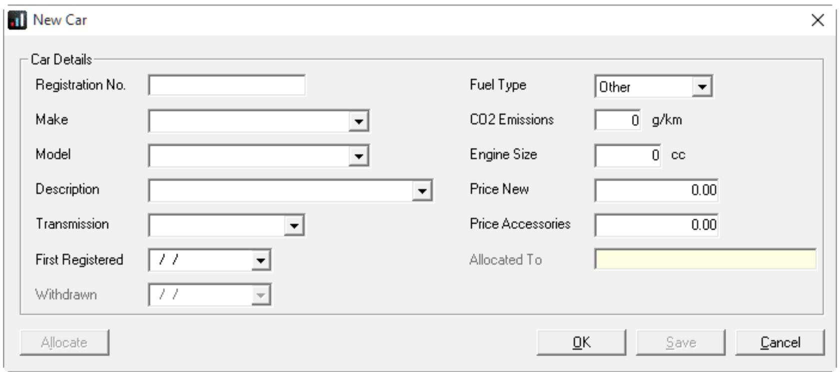
You can reach all of the car options in the payroll software by selecting **Company | Configure Company Car Details**. This will open the **Company Cars** screen.

How to add a Company Car to the software

To add a company car to the software:

1. Go to **Company | Configure Company Car Details**. This will open the **Company Cars** screen.

2. Click **Add** to open the following **New Car** screen:



3. Enter the **Registration No**. of the car and then select a **Make** from the drop down list. The list will be populated by the VCA database. If the car is not in the VCA database, you can just type in the make/model etc.

4. The options in the **Model** field will change according to the **Make** you select, the **Description** options will change based on the **Model**, and the **Transmission** and **Fuel Type** options will alter according to the selected **Model** and **Description**. The **CO2 Emissions** and **Engine Size** will also be populated automatically based on previous selections, but you can amend them manually if needed

5. Complete the **First Registered** date field. This is essential for the **Cash Equivalent** to be calculated. It should be today's date or earlier

6. Enter a **Withdrawn** date if the car is not currently going to be allocated to any employee. Just clear the date out and **Save** if you need to make the car available again in the future

7. Initially when adding a new car, the **Allocate** button will be disabled; click **Save** to be able to **Allocate** the car to an employee

8. Click **OK** to close the car details and return to the **Company Cars** screen, or click **Allocate** to allocate the newly set up car to an employee straight away

How to Edit an existing Car

If you need to make changes to an existing car:

1. Go to **Company | Configure Company Car Details | Company Cars** screen
2. Click **Edit** to open the **Car** screen
3. Make the required changes
4. Click **OK** to close the **Car** screen and return to the **Company Cars** screen

How to Delete a Car

If you need to remove a car from the payroll software completely:

1. Go to **Company | Configure Company Car Details | Company Cars** screen
2. Click on the car that you need to delete
3. Click the **Delete** button

NOTE: Deleting a car will stop any associated benefits being processed through the payroll. If a car is deleted the **Car History** will be deleted. The actual payment/deduction records/history will not be deleted. This will be deleted in the normal way when history is cleared at year-end.

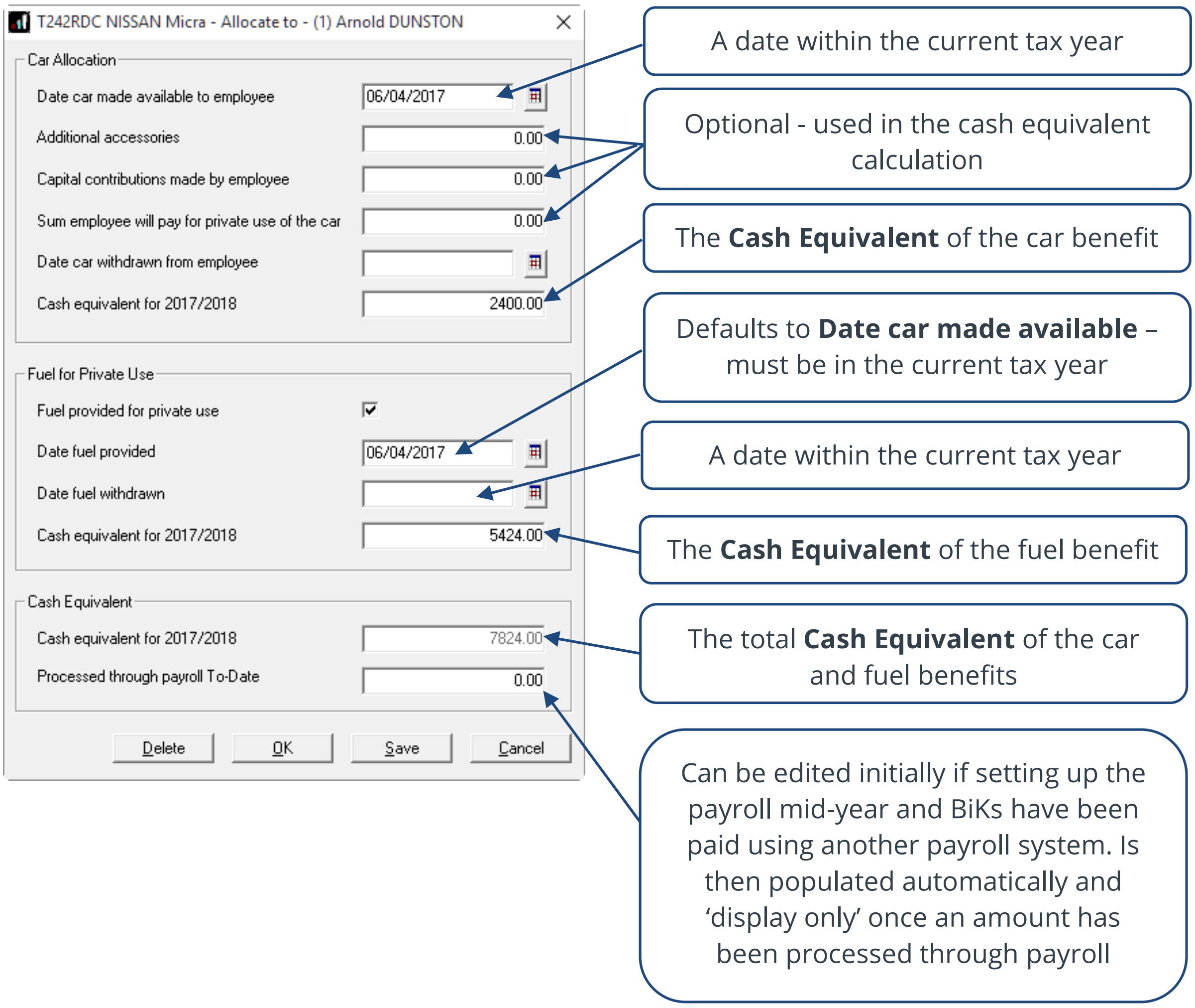
A car can only be deleted if it is not allocated to anyone and it has not been allocated to anyone in the current tax year.

How to allocate a car to an employee

Once the car has been added to the payroll software, you can allocate it to an employee in order to calculate the cash equivalent. To do this:

1. Go to **Company | Configure Company Car Details | Company Cars** screen
2. Click onto the car that you want to allocate
3. Click the **Allocation** button
4. If the highlighted car is already assigned to an employee the **Car Allocation** screen will be displayed, with the car and employee's name across the top. If the highlighted car is not already assigned to an employee the **Employee Selection** screen will be displayed
5. If the **Employee Selection** screen is displayed, select the relevant employee to open the **Car Allocation** screen. The **Car Allocation** screen will be displayed, with the car and employee's name across the top

NOTE: A car can only be assigned to a single employee at a time whereas an employee can be assigned multiple cars



6. Click into each field to enter the car information. As soon as data is entered into any of the fields, the **Cash Equivalent** fields will be calculated and updated for you
7. Click **OK** to save and return to the **Company Cars** screen

How to withdraw a car/fuel from an employee

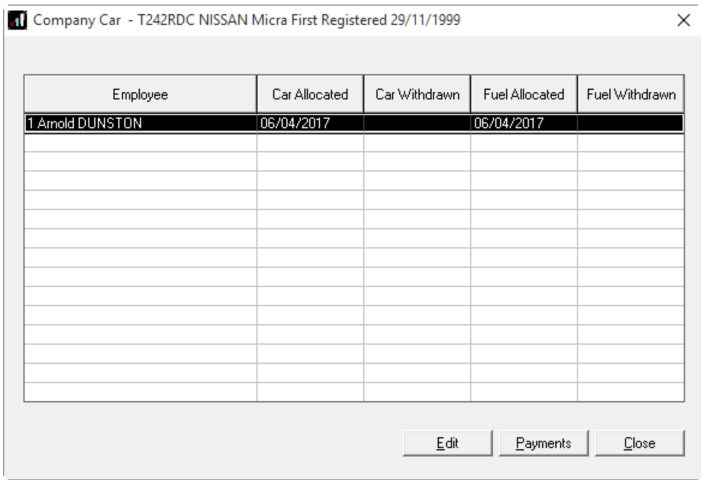
When you need to record that an employee no longer has access to a car or fuel, you just need to enter a **Date car withdrawn from employee** on the **Allocation** screen. To do this:

1. Go to **Company | Configure Company Car Details | Company Cars** screen
2. Click onto the car that you need to withdraw
3. Click the **Allocation** button
4. Enter a **Date car withdrawn from employee** and/or a **Date fuel withdrawn**. The dates must be in the current tax year
5. Click **OK**

How to view Car History

If you need to view the employees that have been allocated a particular car over time:

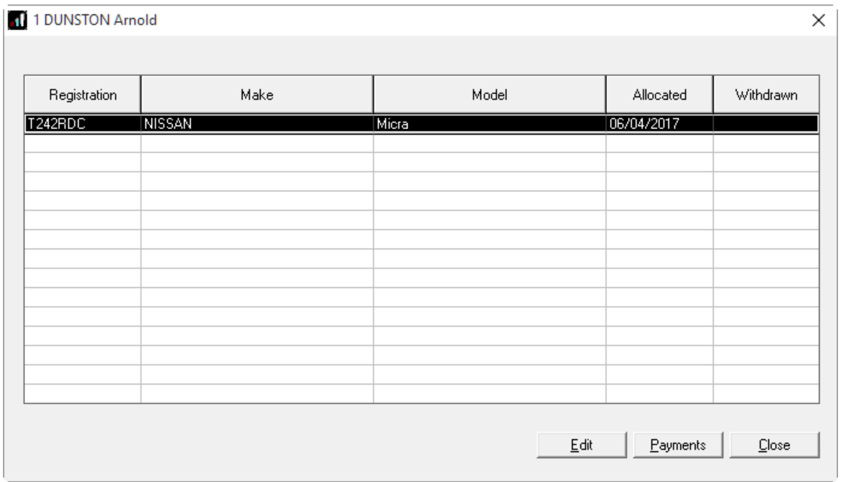
1. Go to **Company | Configure Company Car Details | Company Cars** screen
2. Click on the **Car History** button



3. The screen will display a list of employees to whom the car has been allocated
4. Click **Edit** if you need to make changes to records that exist in the current tax year, for example, to change the dates allocated to or withdrawn from an employee
5. Highlight a row and click **Payments** to display the history screen for payments in the appropriate tax year

How to view Employee History

1. Go to **Company | Configure Company Car Details | Company Cars** screen
2. Click on the **Emp. History** button
3. If the highlighted car is already assigned to an employee the **Emp. History** screen will be displayed, listing the cars that have been allocated to this employee. If the highlighted car is not already assigned to an employee the **Employee Selection** screen will be displayed, allowing you to select the employee you require
4. The screen will display a list of cars that have been allocated to that employee



5. Click **Edit** to make changes to records that exist in the current tax year
6. Highlight a row and click **Payments** to display the history screen for payments in the appropriate tax year

Processing Car and Fuel Benefit through Payroll

Once the car and/or fuel benefit is calculated, the payroll software will automatically create a notional payment for you and allocate it to the relevant employee records.

Earnie IQ takes the calculated benefit for an employee and splits it into a periodic ‘payment’, depending on the number of pay periods left in the tax year. When payroll is processed, that amount will be added to the employee’s taxable pay, without actually paying them the amount, so that the tax on their benefit is deducted correctly.

Earnie IQ uses a cumulative calculation, similar to how tax is calculated. The remaining benefit for the year is divided by the number of payments remaining in the year to give the amount to be paid this period.

Example:

A monthly-paid employee is allocated a car in Month 1 with a car benefit cash equivalent of £1,200

In Month 1 the full amount is remaining and the number of periods remaining is 12

Payroll makes the following calculation: £1,200/12 = 100

The employee’s taxable pay is increased by £100

In Month 2 the outstanding benefit amount is £1,100 and the number of periods remaining is 11

Payroll makes the following calculation: £1,100/11 = 100

The employee’s taxable pay is again increased by £100

NOTE: Multiple car allocations will be merged into a single Car Benefit payment. If an employee is advanced for holiday, the benefit amount is multiplied by the number of periods being paid.

Reports to print

Car List

The **Car List** report can be printed by going to **Company | Configure Company Car Details | Company Cars** and clicking the **Print** button.

It will print a list of all cars available and all the allocation records for each employee assigned to the car, in the current tax year.

Car Benefit Summary

To install the **Car Benefit Summary**, go to **Reports | Library Selection | Summaries** and select **Car Benefit Summary**.

To print it, go to **Reports | Print Summaries** and select **Car Benefit Summary.**

The Car Benefit Summary will show Employee, Registration No., Make, Model and Car Benefit for the pay period selected.

Year-end

At the end of the tax year the **Year-end Restart** will recalculate car benefits, for all cars not withdrawn from an employee, based on a full year i.e. an issue date of 06/04/YYYY where YYYY is the beginning of the tax year. Benefit amounts may change if a car was previously allocated during the middle of a tax year or because the percentages used to calculate the cash equivalent are increasing for most levels of CO_2 Emissions.

Additional Software and Services Available

IRIS AE Suite™

The IRIS AE Suite™ works seamlessly with all IRIS payrolls to easily manage auto enrolment. It will assess employees as part of your payroll run, deduct the necessary contributions, produce files in the right format for your pension provider* and generate the necessary employee communications.

IRIS OpenPayslips

Instantly publish electronic payslips to a secure portal which employees can access from their mobile phone, tablet or PC. IRIS OpenPayslips cuts payslip distribution time to zero and is included as standard with the IRIS AE Suite™.

IRIS Auto Enrolment Training Seminars

Choose from a range of IRIS training seminars to ensure you understand both auto enrolment legislation and how to implement it within your IRIS software.

Useful numbers

HMRC online service helpdesk	HMRC employer helpline
Tel: 0300 200 3600 Fax: 0844 366 7828 Email: helpdesk@ir-efile.gov.uk	Tel: 0300 200 3200 Tel: 0300 200 3211 (new business)

Contact Sales (including stationery sales)

For IRIS Payrolls	For Earnie Payrolls
Tel: 0844 815 5700 Email: sales@iris.co.uk	Tel: 0844 815 5677 Email: earniesales@iris.co.uk

Contact support

Your Product	Phone	E-mail
IRIS PAYE-Master	0844 815 5661	payroll@iris.co.uk
IRIS Payroll Business	0844 815 5661	ipsupport@iris.co.uk
IRIS Bureau Payroll	0844 815 5661	ipsupport@iris.co.uk
IRIS Payroll Professional	0844 815 5671	payrollpro@iris.co.uk
IRIS GP Payroll	0844 815 5681	gpsupport@iris.co.uk
IRIS GP Accounts	0844 815 5681	gpaccsupport@iris.co.uk
Earnie or Earnie IQ	0844 815 5671	earniesupport@iris.co.uk